

PUBLIC DISCLOSURE

April 13, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WELLESLEY BANK

Cert. # 26605

**40 CENTRAL STREET
WELLESLEY, MASSACHUSETTS 02482**

**Division of Banks
1000 Washington Street, 10th Floor
Boston, MA 02118**

NOTE:	This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Wellesley Bank (or the "Bank")** prepared by the Division, the institution's supervisory agencies, as of **April 13, 2011**. The Division evaluates the Bank's performance in the assessment area as it is defined by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00.

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **SATISFACTORY**.

An institution in this group demonstrates an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income individuals, in a manner consistent with its resources and capabilities.

The CRA rating is based on the following factors:

- The average loan-to-deposit ("LTD") ratio is considered excellent at 96.5 percent given the Bank's size and secondary market activity.
- A majority of the Bank's home mortgage and small business loans were made in the Bank's assessment area. Home mortgage and small business loans made within the assessment area represent a combined 57.1 percent, by number, of loans.
- Overall, the distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and to business customers of different sizes.
- Overall, while there were no low- or moderate-income tracts present, the geographic distribution of home mortgage and small business loans reflects an adequate dispersion throughout the Bank's assessment area.
- There were no CRA-related complaints received during the examination period.

SCOPE OF THE EVALUATION

Small Institution CRA procedures were utilized for the evaluation. These procedures evaluate the Bank's CRA performance pursuant to the following criteria: LTD ratio, assessment area concentration, the geographic distribution of loans, income of the borrower, and response to CRA complaints. The evaluation included the period from September 2, 2008 through April 13, 2011. Data utilized in the analysis was obtained from the Bank's Loan Application Register ("LAR") maintained pursuant to the Home Mortgage Disclosure Act ("HMDA") for the years of 2009 and 2010 and from small business loan data collected by the Bank for the same time period. The institution's business strategy during the period under review focused on originating residential and commercial real estate loans. As of the date of the evaluation, residential real estate lending comprised 49.6 percent of the Bank's loan portfolio, the majority of which were 1-4 family residential housing products. Commercial real estate lending represented 23.2 percent of the portfolio while commercial and industrial loans represented 7.2 percent. For the most part, Wellesley Bank sells its fixed-rate residential mortgage loans on the secondary market and retains the adjustable-rate loans. The Bank's 2009 performance was compared to the 2009 aggregate lending data. Aggregate data includes those other financial institutions that originated loans in the Bank's assessment area and reported the data. Please note that there is no aggregate data for 2010 available.

The Bank did not engage in small farm lending during the evaluation period. Additionally, consumer lending was minimal and the Bank did not request a review of this product line. Since the Bank met the definition of a "small bank" for CRA evaluation purposes, it was not required to collect and report small business loans. Although the total dollar amount of loans extended within the assessment area is presented in some tables, emphasis is placed on the number, rather than the dollar volume of loan originations as percentages could be skewed if an institution made a large number of loans at high dollar amounts.

Unless otherwise noted, demographic data referenced throughout the evaluation was obtained from the 2000 United States (U.S.) Census. Financial data about the Bank was obtained from the December 31, 2010 Call Report

PERFORMANCE CONTEXT

Description of Institution

Wellesley Bank is a mutually owned financial institution headquartered at 40 Central Street in Wellesley, Massachusetts. As of December 31, 2010, the Bank's total assets were \$262 million. Total assets have grown 18.4 percent since the last CRA evaluation. The Bank also operates a full-service branch at 197 Linden Street and a loan operations center at 47 Church Street, Wellesley, Massachusetts. No branches have opened or closed since the previous examination.

The primary business focus of Wellesley Bank is to serve the credit and deposit needs of the local community. According to the December 2010 Call Report, loans accounted for approximately 79 percent of assets. A review of the distribution of loans revealed that the origination of residential loans represents approximately 49.6 percent of all lending activity. Commercial loans, including commercial and industrial as well as commercial real estate loans, represent 30.4 percent of the total loan portfolio. Table 1 illustrates the institution's loan portfolio composition as of December 31, 2010.

Table 1 - Loan Distribution as of December 31, 2010		
	Dollar Amount (000s)	Percent of Total Loans (%)
Construction and Land Development	40,771	19.7
1-4 Family Residential	97,088	46.8
Multifamily Residential	5,845	2.8
Commercial	48,062	23.2
Total Real Estate Loans	191,766	92.5
Commercial and Industrial	14,956	7.2
Consumer	502	0.2
All Other Loans (Excluding Consumer)	29	0.0
Total Loans	207,253	100.0

Source: Dec 31 2010 Call Report

The hours and services offered at each full service branch are reasonable and convenient. Wellesley Bank is a member of the SUM Program, which allows its customers to use their cards "surcharge free" at more than 2,800 SUM designated ATMs.

The Bank offers full lines of personal and business banking including lending, deposit and wealth management services. On the personal banking side the Bank offers checking and savings accounts, mortgages and home equities, credit cards, personal loans and savings bonds as well as online banking with online bill payment services. Further, for small business customers the Bank offers a full array of products including cash management services such as remote deposit capture, checking, money market and savings accounts, commercial loans and commercial real estate loans. Also, Wellesley Investment Partners, a wholly owned subsidiary of Wellesley Bank offers investment management and fiduciary and estate planning.

The previous CRA evaluation was conducted by the FDIC as of September 2, 2008. An assigned CRA rating of "Satisfactory" was assigned. The last exam conducted by the Division as of November 1, 2005 was also assigned a rating of "Satisfactory."

There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, product offerings, and branch network, its ability to help meet local credit needs remains strong.

Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The evaluation of the Bank's CRA performance is based upon the defined assessment area. Wellesley Bank has defined the municipalities of Newton, Needham, Weston, Dover, Natick, and Wellesley as its assessment area. Wellesley, Needham and Dover Census tracts are located in Norfolk County, within the Boston-Quincy, Massachusetts Metropolitan Division (MA-MD). All other municipalities are located in Middlesex County, which is part of the Cambridge-Newton-Framingham MA-MD. The assessment area as currently defined meets the technical requirements of the CRA regulation since it (1) consists of one or more political subdivisions; (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the Bank originated a substantial portion of its loans; (3) consists of whole Census tracts; (4) does not extend substantially beyond state borders; (5) does not reflect illegal discrimination; and (6) does not arbitrarily exclude low and moderate income areas.

To assess the Bank's lending performance, consideration was given to certain demographic data about the assessment area. Table 2 highlights some of the relevant demographic data, and each is briefly discussed below.

Table 2 - Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	38	0	0	23.7	76.3
Population by Geography	188,550	0	0	23.7	76.3
Owner-Occupied Housing by Geography	70,896	0	0	22.1	77.9
Family Distribution by Income Level	48,197	9.6	10.5	16.5	63.4
Distribution of Low- and Moderate-Income Families throughout AA Geographies	9,693	0	0	36.5	63.5
Median Family Income		\$116,678	Median Housing Value	\$421,763	
HUD Adjusted Median Family Income for 2010		\$94,437	Unemployment Rate	1.8%	
Households Below Poverty Level		3.9			

Source: 2000 US Census and 2010 HUD updated MFI.

Geographies

This assessment area is comprised of 38 Census tracts, of which 9, or 23.7 percent, are defined as middle-income; and 29, or 76.3 percent, are defined as upper-income. There are no low or moderate income Census tracts within the assessment area.

Population

Based on 2000 U.S. Census data, the total population of the assessment area is 188,550 individuals. Of the total population within the assessment area, 23.7 percent reside in middle-income census tracts, and 76.3 percent reside in upper-income tracts. Households total 69,073, of which 13.7 percent are low-income; 10.1 percent moderate-income; 13.8 percent middle-income; and 62.4 percent are upper income (the largest segment).

Family Distribution

Providing further insight into the demographic composition of the assessment area population is the number of families at each income level. According to the 2000 Census data, of the 48,197 families in the assessment area, 9.6 percent are low-income, 10.5 percent are moderate income, 16.5 percent are middle income, and 63.4 percent are upper income. Additionally, only 2.2 percent of the assessment area families are below the poverty level, denoting a higher level of potential lenders in the area. The HUD adjusted Median Family Income ("MFI") for the assessment area was \$94,437

Family Distribution (Continued)

in 2010. The Department of Housing and Urban Development publishes annual estimates of median family income that are adjusted for inflation and other economic events.

Housing

Housing units within the assessment area total 70,896, of which 51,691, or 72.9 percent, are owner-occupied, and 17,363, or 24.5 percent, are rental units. Of the owner-occupied units within the assessment area, 22.1 percent are in middle-income tracts, and 77.9 percent are in upper-income tracts. A total of 2.6 percent are vacant units.

The table above displays the median housing value in the assessment area according to 2000 U.S. Census data. More recent data obtained from the *Warren Group* indicated that the 2009 and 2010 median housing values in the assessment area ranged from a low of \$380,000 in Natick to a high of \$1,200,000 in Weston. Average prices fell slightly from 2009 to 2010, with an average median sales price of 745,417 in 2009, and 712,538 in 2010.

Unemployment

According to the United States Department of Labor, the projected March 2011 unemployment rate for Massachusetts was 8.2 percent. The unemployment rate in Middlesex County was 6.2 percent and 6.8 percent in Norfolk County, projected as of March 2011. The average unemployment rate of all municipalities included in the assessment area was 4.3 percent, which suggests the assessment area is in better condition in terms of employment.

Business Data

Numerous businesses operate throughout the assessment area, with the highest concentration being in the upper-income Census tracts. According to Dun & Bradstreet 2009 business demographic data, the area has 22,849 businesses in operation, 76.5 percent of which are known to have gross annual revenues under \$1 million. The highest proportion of these business establishments are engaged in the service industry. In terms of employees, approximately 69.4 percent of the area's businesses employ four or fewer people.

Competition

Wellesley Bank operates in a competitive market area in terms of financial services. The Bank competes for loans with many commercial banks, savings banks, credit unions, and mortgage brokers that operate in the area. In 2009, 329 lenders reported a total of 16,395 residential mortgage loans within the Bank's assessment area. Among the more prominent financial institutions competing with Wellesley Bank are Bank of America, CitiBank, JP Morgan Chase, and Wells Fargo. The Bank considers these, as well as local banks, such as Middlesex Savings, Needham Bank, and Boston Private, its primary competition. The Bank also faces strong competition for small business loans. In 2009, 105 lenders reported a total of 42,504 small business loans within the Norfolk and Middlesex Counties. Excluding credit card banks, the institution competes for small business loans with institutions such as Middlesex Savings Bank; Eastern Bank; Wells Fargo Bank, NA; TD Bank NA; and Bank of America, NA.

Community Contact

A community contact was conducted in conjunction with this CRA evaluation. The contact was conducted with a government community development agency focused on housing. The contact was generally satisfied with the financial institutions involvement with the community. However, the organization did note that a lack of funding for affordable housing programs in a strained economic environment has created a significant need. The contact noted that certain financial institutions were especially helpful in providing financing and waiving fees and closing costs for affordable housing programs, and this was integral in the organization's choice with whom to bank. Private developers were noted as another possible source from which the area could obtain affordable housing, specifically when coupled with local banks taking a more active role in waiving origination costs for low risk affordable housing projects.

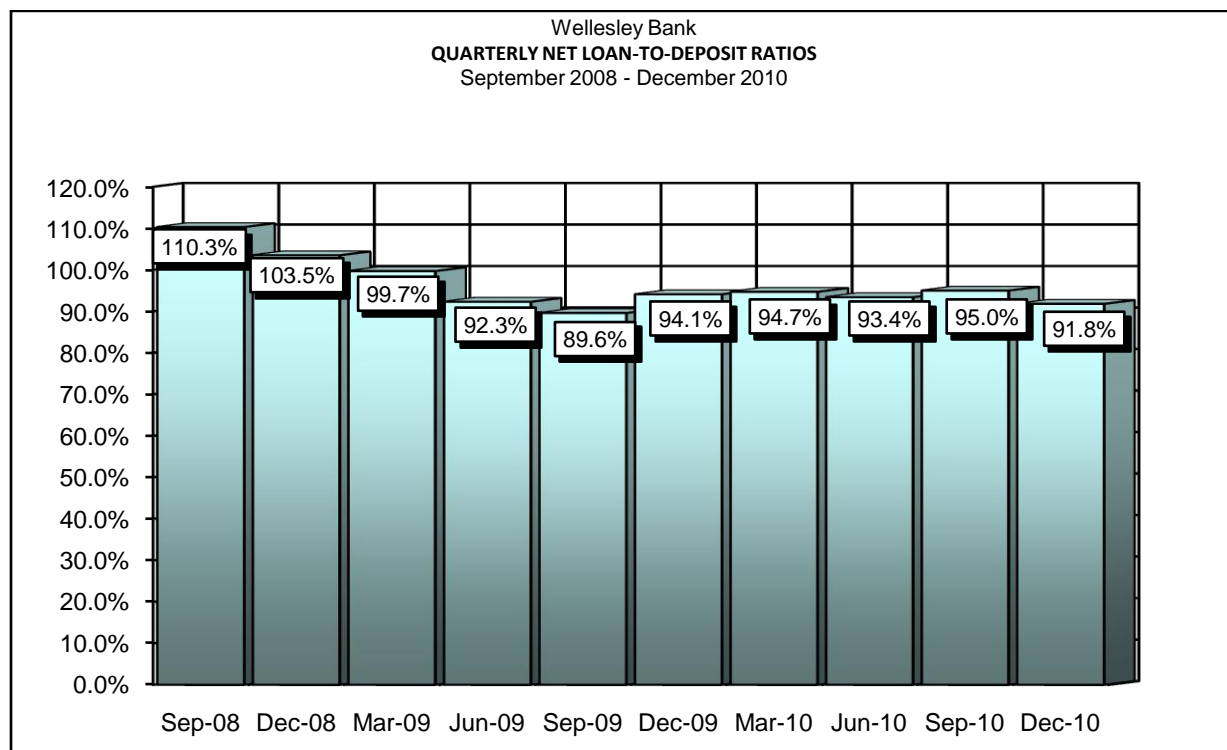
CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The Small Institution CRA evaluation procedures utilize five performance criteria: LTD ratio, assessment area concentration, lending to borrowers of different incomes (borrower profile) and businesses of different sizes, geographic distribution of loans and the Bank's record of taking action in response to CRA complaints.

LTD Analysis:

This performance criterion evaluates the proportion of the Bank's deposit base that is reinvested in the form of loans. The analysis was performed using Federal Financial Institutions Examination Council ("FFIEC") quarterly call report data for the period ending September 30, 2008 through December 31, 2010. The analysis was conducted to determine the extent of the Bank's lending compared to deposits received from its customers.

Wellesley Bank's average LTD ratio for the time period was calculated at 96.5 percent and is considered excellent given the Bank's size, secondary market activity, and the assessment area credit needs. The following graph depicts the net LTD ratios for each quarter under review.



Over the 10 quarters since the previous evaluation, the LTD ratio has generally remained within the 90 percent range, ranging from a low of 89.6 percent in September 2009 to a high of 110.3 percent in September 2008. It was noted that deposits increased by 27.4 percent which outperformed the growth of loans at 6.0 percent. These shifts in the LTD ratio seem to correspond to the Bank's loan sales, as the second and third quarter of 2009, as well as the fourth quarter of 2010, were periods with higher than average loan sales activity.

The most recent LTD ratio was also compared to some similarly situated institutions to assist in forming conclusions about the appropriateness of the Bank's LTD. As displayed in Table 3 below, the Bank's LTD ratio is comparable to that of similarly situated institutions.

LTD Analysis: (Continued)

Table 3 - Net Loan-to-Deposit Ratio Comparison		
Institution	LTD ratio* (%)	Asset Size* \$(000)
North Cambridge Co-operative Bank	65.5	91,253
Walpole Co-Operative Bank	106.4	343,534
Norwood Co-operative Bank	92.8	392,812
Wellesley Bank	91.8	262,030

*as of December 31, 2010

Assessment Area Concentration:

This performance criterion measures the percentage of the Bank's lending that benefits assessment area businesses and residents, and evaluates the adequacy of such lending. Overall, the Bank originated a majority of loans in the Bank's assessment area during the evaluation period.

In 2009 and 2010, the Bank originated a total of 325 small business and home mortgage loans totaling approximately \$94.1 million. Of the combined loans, 186, or 57.2 percent by number, and \$57.2 million, or 60.8 percent by dollar amount, were originated within the Bank's delineated assessment area. Of the 186 small business and home mortgage loans inside the assessment area, there were 67 by number (or 64.4 percent) and \$27.1 million, by dollar amount, of home mortgage loans, and 119 by number (or 53.8 percent), and \$30.1 million, by dollar amount, of small business loans. Each year is shown below in Table 4.

Table 4 - Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type	Number Loans					Dollar Volume (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2009 Home Mortgage	42	72.4	16	27.6	58	15,813	71.6	6,259	28.4	22,072
2010 Home Mortgage	25	54.3	19	45.7	46	11,283	72.8	7,685	40.5	18,968
Subtotal	67	64.4	35	33.7	104	27,096	66.0	13,944	34.0	41,040
2009 Small Business	60	56.6	46	43.4	106	11,016	56.0	8,644	44.0	19,660
2010 Small Business	57	50.9	55	49.1	112	9,449	43.4	12,308	56.6	21,757
Subtotal	117	53.7	101	46.3	218	20,465	49.4	20,952	50.6	41,417
Grand Total	184	57.1	136	42.2	322	47,561	57.7	34,896	42.3	82,457

Source: Small Business Bank Records for 2009 and 2010; HMDA LARs 2009 and 2010

Home Mortgage Lending:

As reflected in Table 4, in 2009, the Bank reported 42 home mortgage loans totaling nearly \$16 million, representing 72.4 percent by number and 71.6 percent by dollar amount, within the Bank's assessment area. Of those 42 loans, 8, or 19.1 percent, were for home purchase loans, 3, or 7.1 percent, were home improvement loans, and 31, or 73.8 percent, were refinance transactions. Based on 2009 aggregate market data, the Bank shared the rank of 56th by number and a market share of 0.26 percent with one other institution. This ranking is out of a total of 329 lenders reporting home mortgage loans originated within the Bank's assessment area. In terms of total dollar amount, the Bank maintained a market share of 0.25 percent out of this same number of lenders.

Assessment Area Concentration: (Continued)

In 2010, there was a decrease in overall lending and, consequently, this decrease was reflected in the lending within the assessment area. The Bank reported 25 loans totaling \$11.3 million, representing 54.3 percent by number and 72.8 percent by dollar amount, within the Bank's assessment area. Closer review of the loans indicated that 17 or 68.0 percent were refinances, 2 or 8.0 percent were home improvement loans, and 6 or 24.0 percent were home purchase loans. These figures are indicative of the overall decrease in refinance activity following the initial influx of refinances as a response to decreasing interest rates in 2009.

The Bank's home mortgage lending is considered reasonable with 64.4 percent of the combined years' lending made within the Bank's assessment area.

Small Business Lending

As depicted in Table 4, in 2009, the Bank originated 60 small business loans totaling 11.0 million inside its assessment area, representing 56.6 percent by number, and 56.0 percent by dollar amount.

In 2010, the Bank originated 57 small business loans totaling \$9.4 million within its assessment area representing 50.9 percent by number, and 43.4 percent by dollar volume. The number of loans originated and the dollar amount decreased slightly as a result of several commercial loans originated in amounts over \$1,000,000, which are do not qualify as small business loans.

The Bank's small business lending is considered reasonable with 53.7 percent of the combined years' lending made within the Bank's assessment area.

Geographic Distribution

Due to the absence of low- and moderate-income geographies within the assessment area, the Bank's performance pursuant to this criterion was considered to weigh little in the overall rating of this examination. However, a review of Wellesley Bank's lending throughout the area's middle- and upper-income tracts reflects performance consistent with the Bank's overall rating.

Overall, the geographic distribution of home mortgage and small business lending reflects reasonable dispersion throughout the Bank's assessment area during the evaluation period.

Home Mortgage Lending

Overall, the Bank's geographic distribution of home mortgage loans reflects adequate dispersion throughout its assessment area. Table 5 represents the distribution of home mortgage loans by income category of the census tract for 2009 and 2010, and provides information about the 2009 aggregate market data and the percentage of owner-occupied housing units within each census tract category in the Bank's assessment area.

Geographic Distribution: (Continued)

Table 5 – Number Distribution of Home Mortgage Loans by Income Category of the Census Tract							
Census Tract Income Level	% of Total Owner-Occupied Housing Units	2009 Bank Lending Data		2009 Aggregate Lending Data		2010 Bank Lending Data	
		#	%	#	%	#	%
Middle	22.1	4	9.5	3,590	21.9	2	8.0
Upper	77.9	38	90.4	12,763	78.1	23	92.0
Total	100.0	42	100.0	25,176	100.0	25	100.0

Source: U.S. Census (2000), HMDA LAR 2009 and 2010, and Home Mortgage Aggregate Data 2009.

In 2009, the Bank's distribution of originations is fairly concentrated in upper income Census tracts, relative to the proportions of owner-occupied housing and the aggregate lending patterns in the assessment area. The Bank's 2010 geographic distribution is comparable to 2009. A possible reason for this difference between aggregate data and the Bank's lending throughout the assessment area can be found in the location of branches. The Bank's two branches and one loan operations center are all located in upper income Census tracts.

Small Business Lending

Overall, the Bank demonstrates a reasonable distribution of small business loans. Table 6 shows the distribution of small business loans by income category of the Census tract. The 2009 and 2010 small business data is commensurate with the proportion of businesses distributed between the middle and upper-income Census tracts.

Table 6 – Distribution of Small Business Loans by Income Category of the Census Tract						
Census Tract Income Level	2009 Commercial Businesses		2009 Bank Lending Data		2010 Bank Lending Data	
	#	%	#	%	#	%
Middle	5,847	25.6	18	30.0	16	28.1
Upper	17,002	74.4	42	70.0	41	71.9
Total*	22,849	100.0	60	100.0	57	100.0

Source: 2009 D&B data; 2009 and 2010 Small business Bank records.

Borrower Profile

The distribution of loans predicated on borrower income and small business revenue was reviewed to determine the extent to which the Bank addressed the credit needs of its residents and small business customers within its assessment area during the review period. The distribution of borrowers reflects, given the demographics of the assessment area and the compensating factors of the financial institution, reasonable penetration among individuals of different income levels (including low- and moderate- income) and business customers of different sizes.

Home Mortgage Lending

Home mortgage lending data was reviewed to assess how well the Bank met the housing credit needs of its assessment area residents. More weight or consideration was placed on the Bank's record of lending to low- and moderate-income borrowers. As depicted in Table 7, the Bank's performance, relative to the distribution of borrowers, reflects an adequate penetration in its assessment area of loans among individuals of different income levels, given the product lines offered by the Bank.

Table 7 - Distribution of Home Mortgage Loans by Borrower Income							
Borrower Income Level	Family Distribution by Income Level	2009 Bank Lending Data		2009 Aggregate Lending Data		2010 Bank Lending Data	
		#	%	#	%	#	%
Low	9.6	0	0.0	257	1.6	0	0.0
Moderate	10.5	3	7.1	1,242	7.6	2	8.0
Middle	16.5	5	11.9	2,704	16.5	4	16.0
Upper	63.4	31	73.9	10,056	61.5	17	68.0
N/A	0	3	7.1	2,094	12.8	2	8.0
Total	100.0	42	100.0	16,353	100.0	25	100.0

Source: 2000 U.S. Census Data; 2009 and 2010 HMDA LARs; Home Mortgage Aggregate Data 2009.

In 2009, the Bank originated no home mortgage loans to low-income borrowers, which falls below the aggregate market data of 1.6 percent. The Bank also did not originate any loans to low-income borrowers in 2010. In both years, the Bank's penetration of loans to low-income borrowers is below the family distribution of 9.6 percent in the same category. While the performance falls below both demographic and aggregate lender data, there are several mitigating factors with regard to low-income originations. As noted in the performance context, assessment area housing prices averaged above \$700,000 in 2009 and 2010, and approximately \$800,000 in the Bank's immediate area, which would pose an obstacle for low-income families seeking qualification. To exceed the aggregate would only require one origination given the Bank's low volume.

In 2009, the Bank originated 3 home mortgage loans to moderate income borrowers or 7.1 percent which is comparable to the aggregate lending patterns for the same income level, at 7.6 percent. In 2010, the Bank originated 2 moderate-income loans, or 8 percent of its originations within the assessment area, comparable to 2009 activity. In both years, the Bank's penetration of lending to moderate-income borrowers reflects percentages just below the percentage of moderate-income families and reflects a reasonable penetration.

Small Business Lending

The Bank demonstrated reasonable penetration of loans to businesses of different revenue sizes, serving the credit needs of smaller businesses in the assessment area in 2009 and 2010. The data is analyzed in Table 8 below:

Table 8 – Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Annual Revenues (000s)	2009 Commercial Businesses		2009 Bank Lending Data		2010 Bank Lending Data	
	#	%	#	%	#	%
≤ \$1,000	17,481	76.5	29	48.3	21	36.8
> \$1,000	1,314	5.8	31	51.7	36	63.2
Revenues Not reported	4,054	17.7	0	0	0	0
Total	22,849	100.0	60	100.0	57	100.0

Source: 2009 D&B data; 2009 and 2010 small business Bank records

As depicted in Table 8, in 2009, the Bank originated 29 small business loans, or 48.3 percent, by number, to businesses in its assessment area with gross annual revenues (GARs) of \$1 million or less. The Bank was below the percentage of 2009 commercial businesses with GARs of \$1 million or less, at 76.5 percent. The 2010 proportion of loans to small businesses fell to 36.8 percent, also below the proportion of businesses in the revenue category.

As previously noted, the Bank faces considerable competition. With 105 small business lenders in the area, the largest of which are credit card service companies including American Express, Capital One Bank, and Chase Bank, relatively small institutions encounter difficulty in making loans to businesses of lower revenues. Also, the current economic climate has constrained borrowers' desire to expand by means of credit, further limiting the Bank's opportunities to lend. For these reasons, the penetration of loans among small businesses is considered reasonable.

The Bank's small business lending performance was also analyzed by loan size. This analysis is based on the premise that smaller businesses and start-ups typically have a need for small dollar loans. In Table 9 below, the Bank did a reasonable job of granting smaller dollar business loans.

Table 9 – Distribution of Small Business Loans by Loan Size				
Loan Size (000s)	2009 Bank Lending Data		2010 Bank Lending Data	
	#	%	#	%
≤ \$100	34	56.7	33	57.9
> \$100 ≤ \$250	14	23.3	14	24.6
> \$250 ≤ \$1,000	12	20.0	10	17.5
Total	60	100.0	57	100.0

Source: 2009 and 2010 Bank small business lending records

As illustrated in Table 9, in 2009, the majority of small business loans originated within the assessment area (56.7 percent) were originated in amounts of \$100,000 or less. In 2009, the Bank originated 57.9 percent of the small business loans in its assessment area in amounts of \$100,000 or less. The Bank showed a commitment to extending small dollar business loans throughout the assessment area.

Response to CRA Complaints

A review of the Division's records, as well as the Public File maintained by the Bank pursuant to CRA regulations, disclosed no complaints. The Bank maintains procedures to handle complaints if necessary to respond accordingly.

Fair Lending Policies and Practices

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

Currently, the Bank has 23 full time equivalent employees. Languages spoken at the Bank by employees include Cantonese and Mandarin.

The Bank's Loan policy prohibits discrimination against all the prohibited classes listed under the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA). Also included in the Bank's loan policy are procedures for the second review process of denied loan applications.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. During this period, 6 applications, or 7.2 percent were received from racial minorities, 5 of which were originated.

The Bank's minority application flow for this period was compared with the racial and ethnic composition of the assessment area and the 2009 aggregate data for all other HMDA reporters within the assessment area. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants.

According to 2000 Census Data, the Bank's assessment area contained a total population of 188,550, of which 11.1 percent are minorities, the assessment area's minority and ethnic population is 1.5 percent Black, 6.0 percent Asian/Pacific Islander, 0.1 percent American Indian, 2.1 percent Hispanic, and 1.4 percent were defined as "other race."

In 2009, the minority application flow is 8.0 percent, which is comparable to the 2009 aggregate minority application flow at 10.0 percent. Given the Bank's volume for 2009, the difference between the Bank and the aggregate was one additional application. The ethnic composition of applications in 2009 exceeds the 2009 aggregate, 2.0 and 1.4 percent, respectively.

In 2010, the minority applications decreased from 4 to 2 loans compared to 2009, or from 8.0 to 6.3 percent, respectively. One application was received from a borrower of Hispanic Ethnicity, the same as in 2009.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 40 Central Street, Wellesley, MA 02482."

- 4) Provide a copy of its current evaluation to the public, upon request. The institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.